

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

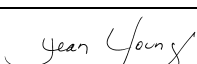
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Shiawasseee District Library

**Financial Report
with Supplemental Information
November 30, 2006**

Shiawassee District Library

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Independent Auditor's Report

To the Shiawassee District Library Board

We have audited the accompanying financial statements of the governmental activities and each major fund of the Shiawassee District Library as of and for the year ended November 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Shiawassee District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position, the governmental activities, and each major fund of Shiawassee District Library at November 30, 2006 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

February 21, 2007

Shiawassee District Library

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of Shiawassee District Library (the "Library").

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the Library as a whole financial statements under the full accrual method of accounting.
- The Library as a whole financial statement columns provide both long-term and short-term information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Shiawassee District Library

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following table below shows key financial information in a condensed format:

	2006	2005
Assets		
Current assets	\$ 747,232	\$ 665,263
Capital assets	<u>355,495</u>	<u>347,457</u>
Total assets	1,102,727	1,012,720
Liabilities		
Long-term liabilities	31,490	34,010
Other liabilities	<u>29,316</u>	<u>26,201</u>
Total liabilities	<u>60,806</u>	<u>60,211</u>
Net Assets		
Invested in capital assets - Net of debt	355,495	347,457
Unrestricted	<u>686,426</u>	<u>605,052</u>
Total net assets	<u><u>\$ 1,041,921</u></u>	<u><u>\$ 952,509</u></u>
Revenue		
Property taxes	\$ 666,364	\$ 637,594
Other	<u>202,800</u>	<u>191,317</u>
Total revenue	869,164	828,911
Expenses - Library services	<u>779,752</u>	<u>751,730</u>
Change in Net Assets	<u><u>\$ 89,412</u></u>	<u><u>\$ 77,181</u></u>

Shiawassee District Library

Management's Discussion and Analysis (Continued)

The Library as a Whole

- The Library is reporting financial statements this year that meet the requirements of GASB 34. These statements will include an analysis of government-wide data for 2006.
- The Library's net assets were \$1,041,921 on a full-accrual basis. This represents an increase of \$89,412 compared to the prior year.
- The Library's primary source of revenue is from property taxes. For 2006, total tax collections were \$666,364, which represents 77 percent of total revenue. Property taxes represented 77 percent of total revenue last year as well.
- Salaries and fringe benefits continue to be a significant expense of the Library, representing 60 percent of the Library's total expenses.
- Library materials, at \$109,936, are the second largest expenditure of the Library, representing 14 percent of the Library's total expenditures under the modified-accrual basis.
- Total expenditures under the modified accrual method were \$790,310, an increase of 3 percent over the prior year.

The Library's Fund

Our analysis of the Library's General Fund is included on pages 6 and 7 in the first column of the respective statements. The fund column provides detailed information about the General Fund.

- The fund balance of the General Fund increased by \$78,854 for the year. This represents unspent revenue greater than expenses.
- The Library board has designated funds to help manage money for specific purposes, such as building (furnishings) expansion, technology upgrades, and capital improvements.

Shiawassee District Library

Management's Discussion and Analysis (Continued)

Library Budgetary Highlights

Over the course of the year, the Library board amended the budget to take into account events that occurred during the year. Most amendments were minor except those related to capital outlay mentioned below.

Total personnel costs were less than originally projected, due to a change in personnel when the children's librarian resigned, and the position was vacant for four months. Her replacement started at a lower grade level in October. Also, as the digitization project did not move on to the next phase, we did not use part-time staff as planned.

Increased costs during the year included legal expenses, due to Thome bequest advisory needs, and capital outlay, first for Owosso's entrance, where upgrades to the stairs and landing for safety and appearance, and second, for equipment, including new microfilm readers and reader-printer replacements, Internet direct access carrels, and new material racks at Durand.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$355,495 (net of depreciation) invested in furniture, equipment, and books and materials. In 2006, the Library added approximately \$109,936 in new collection items consisting mainly of books, video materials, audio books, and music CDs.

The Library carries no long-term debt other than compensated absences.

Next Year's Millage Rates

On August 23, 2006, the Library board approved an operating millage rate of 1.2031 mills per thousand dollars of taxable value. This will generate an estimated \$673,982 in property tax revenue, based on the current taxable value of property in the Library district.

Shiawassee District Library

Governmental Fund Balance Sheet/Statement of Net Assets November 30, 2006

	General Fund - Modified- accrual Basis	Adjustments (Note 8)	Statement of Net Assets - Full-accrual Basis
Assets			
Cash (Note 2)	\$ 233,420	\$ -	\$ 233,420
Investments (Note 2)	500,300	-	500,300
Other receivables	13,512	-	13,512
Capital assets (Note 3)	-	355,495	355,495
Total assets	<u>\$ 747,232</u>	355,495	1,102,727
Liabilities			
Accounts payable and accrued liabilities	\$ 29,316	-	29,316
Accumulated employee benefits > 1 year (Note 4)	-	31,490	31,490
Total liabilities	29,316	31,490	<u>60,806</u>
Fund Balances - Unreserved			
Designated for:			
Retirement reserve	10,000	(10,000)	-
Building expansion	115,000	(115,000)	-
Durand lease	2,500	(2,500)	-
Penal fines stablization fund	138,130	(138,130)	-
Digitalization projects	3,450	(3,450)	-
Literacy support	948	(948)	-
Equipment replacement	20,000	(20,000)	-
Budgeted working capital	120,000	(120,000)	-
Undesignated	307,888	(307,888)	-
Total fund balance	<u>717,916</u>	<u>(717,916)</u>	-
Total liabilities and fund balance	<u>\$ 747,232</u>	<u>(686,426)</u>	
Net Assets			
Investment in capital assets		355,495	355,495
Unrestricted		<u>686,426</u>	<u>686,426</u>
Total net assets		<u>\$ 1,041,921</u>	<u>\$ 1,041,921</u>

Shiawassee District Library

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended November 30, 2006

	General Fund - Modified- accrual Basis	Adjustments (Note 8)	Statement of Activities - Full- accrual Basis
Revenue			
Property tax revenue	\$ 666,364	\$ -	\$ 666,364
Penal fines	116,168	-	116,168
State aid	20,761	-	20,761
Single business tax	10,985	-	10,985
Fines and fees	14,944	-	14,944
Rental revenue	6,591	-	6,591
Interest income	30,615	-	30,615
Donation income	2,693	-	2,693
Miscellaneous revenue	43	-	43
Total revenue	869,164	-	869,164
Expenditures			
Salaries and wages	411,810	(2,520)	409,290
Compensated absences	3,561	-	3,561
Payroll taxes	31,141	-	31,141
Employee benefits	59,420	-	59,420
Pension	938	-	938
Supplies	23,866	-	23,866
Professional services	31,360	-	31,360
Membership and dues	2,112	-	2,112
Education and training	6,641	-	6,641
Capital outlay - Equipment	23,828	(16,281)	7,547
Utilities	22,909	-	22,909
Maintenance and repairs	20,219	-	20,219
Library materials	109,936	(82,484)	27,452
Postage	7,924	-	7,924
State aid	20,510	-	20,510
Insurance	14,135	-	14,135
Depreciation	-	90,727	90,727
Total expenditures	790,310	(10,558)	779,752
Excess of Revenue Over Expenditures/Change in Net Assets	78,854	10,558	89,412
Fund Balance/Net Assets - Beginning of year	639,062	313,447	952,509
Fund Balance/Net Assets - End of year	<u>\$ 717,916</u>	<u>\$ 324,005</u>	<u>\$ 1,041,921</u>

Shiawassee District Library

Notes to Financial Statements November 30, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

The accounting policies of Shiawassee District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant account policies:

Reporting Entity

Effective July 1, 1994, the City of Owosso, the City of Durand, and Bennington, Owosso, and Rush Townships signed a district library agreement, creating the Shiawassee District Library. The Library is comprised of all the territory that is currently located in the jurisdictional limits of the Township of Bennington, the Township of Owosso, the Township of Rush, the City of Durand, and the City of Owosso. The Library is funded through property taxes, fines, fees, grants, state aid, and donations. The voters of the district approved a 1.25 mill tax for a 10-year period, which begins with a tax levy effective December 31, 2002. This millage provides for funding of Library operations through December 1, 2011.

The Library is governed by an eight-member board. The board consists of three members appointed by the City of Owosso, two members appointed by the City of Durand, and one member appointed by each of the townships. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's operations are accounted for in a General Fund. The General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Normally, expenditures are divided between years by the recording of prepaid expenses.

Shiawassee District Library

Notes to Financial Statements November 30, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

In addition to presenting information for the General Fund on a modified accrual basis, the financial statements present information for the Library using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified-accrual and full-accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full-accrual presentation.

Financial Statement Amounts

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Property taxes are levied on December 1 based on the taxable valuation of the property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Capital Assets - Generally, capital assets are defined by the Library with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Library books which comprise the Library's collection are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$5,000 capitalization threshold.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Shiawassee District Library

Notes to Financial Statements November 30, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Depreciation on such capital assets is charged as an expense against the operations on a straight-line basis over the following estimated useful lives:

Furniture and equipment	3-10 years
Library books and materials	7 years

Compensated Absences - It is the Library's policy to permit employees to accumulate earned but unused sick pay benefits. There is no liability for unused accumulated vacation and personal days since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment, generally when an individual's employment has terminated as of year end.

Property Taxes - Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2005 tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended November 30, 2006, when the proceeds of the levy are budgeted and available for the financing operations. The 2005 taxable value of the district totaled \$560,204,258 (a portion of which is not captured from all jurisdictions), on which taxes levied consisted of 1.2125 mills for operating purposes. This resulted in \$666,364 recognized as property tax revenue.

Fund Equity - In the General Fund financial statements, the Library reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Shiawassee District Library

Notes to Financial Statements November 30, 2006

Note 2 - Deposits

Michigan Compiled Law Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of the purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated six banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments as allowed by authority as listed above. The Library's deposits and investments policy is in accordance with statutory authority.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$133,420 of bank deposits (certificates of deposit and checking account) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Shiawassee District Library

Notes to Financial Statements November 30, 2006

Note 3 - Capital Assets

A summary of the changes in capital assets follows:

Capital Assets Being Depreciated	Balance December 1, 2005	Additions	Deletions	Balance November 30, 2006
Furniture and equipment	\$ 264,038	\$ 16,281	\$ -	\$ 280,319
Library books and materials	<u>1,061,944</u>	<u>82,484</u>	<u>-</u>	<u>1,144,428</u>
Total	1,325,982	98,765	-	1,424,747
Accumulated depreciation:				
Furniture and equipment	182,862	16,652	-	199,514
Library books and material	<u>795,663</u>	<u>74,075</u>	<u>-</u>	<u>869,738</u>
Total	<u>978,525</u>	<u>90,727</u>	<u>-</u>	<u>1,069,252</u>
Net book value	<u>\$ 347,457</u>	<u>\$ 8,038</u>	<u>\$ -</u>	<u>\$ 355,495</u>

Shiawassee District Library leases buildings from the City of Owosso and the City of Durand at a nominal amount.

Note 4 - Long-term Debt

A summary of the debt outstanding of the Library is as follows:

	Balance December 1, 2005	Additions	Deletions	Balance November 30, 2006
Compensated absences	<u>\$ 34,010</u>	<u>\$ -</u>	<u>\$ 2,520</u>	<u>\$ 31,490</u>

Compensated absences represent the estimated liability to be paid to employees under the Library's sick pay policy. The Library estimates that none of the above liability will be paid within the next year.

Shiawassee District Library

Notes to Financial Statements November 30, 2006

Note 5 - Budget Information

The annual budget is prepared by Library management and adopted by the Library board of trustees; subsequent amendments are approved by the board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The General Fund budget has been approved on an activity basis. A comparison of actual results of operations to the General Fund budget as adopted by the Library board is included in the required supplemental information.

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for employee medical benefits. The Library participates in the Michigan Municipal Risk Management Authority (the "Authority") for property loss, torts, and errors and omissions claims. The Library participates in the Michigan Municipal League program for workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Shiawassee District Library

Notes to Financial Statements November 30, 2006

Note 7 - Pension Plan

Plan Description

The Library participates in the Michigan Municipal Employees' Retirement System, an agent, multiple-employer defined benefit pension plan that covers all full-time employees of the Library. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by board approval and requires a contribution from employees of 6.00 percent of gross wages.

Annual Pension Cost

For the year ended November 30, 2006, the Library's annual pension cost was \$938, which was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial calculation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases ranging from 0 percent to 8.4 percent per year, depending on age, attributable to seniority/merit. Both (a) and (b) include an inflation assumption of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period.

Trend Information

Fiscal year ended November 30:	2004	2005	2006
Annual pension cost	\$ 624	\$ 904	\$ 938
Percentage of annual pension cost contributed	100%	100%	100%
Net pension obligation	-	-	-

Shiawassee District Library

Notes to Financial Statements November 30, 2006

Note 7 - Pension Plan (Continued)

Actuarial valuation as of December 31:	2003	2004	2005
Actuarial value of assets	\$ 1,152,412	\$ 1,227,985	\$ 1,304,732
Actuarial accrued liability (entry age)	\$ 1,122,788	\$ 1,169,096	\$ 1,237,517
Overfunded AAL	\$ (29,624)	\$ (58,889)	\$ (67,215)
Funded ratio	102.6%	105.0%	105.4%
Covered payroll	\$ 285,628	\$ 296,429	\$ 306,642

Note 8 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements

The General Fund's fund balance and the net change in fund balance differs from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

General Fund's Fund Balance - Modified-accrual basis \$ 717,916

Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the General Fund	355,495
Compensated absences are included as a liability	<u>(31,490)</u>

Net Assets of the Library - Full-accrual basis \$ 1,041,921

Shiawassee District Library

Notes to Financial Statements November 30, 2006

Note 8 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements (Continued)

Net Changes in Fund Balances - Modified-accrual basis	\$ 78,854
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	16,281
Library books and materials	82,484
Depreciation	(90,727)

Decrease in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the General Fund statements	<u>2,520</u>
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Changes in Net Assets of the Library - Full-accrual basis	<u>\$ 89,412</u>
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Note 9 - Subsequent Event

Subsequent to year end, the Library received a donation from the Helen Thome Trust in the amount of approximately \$860,000. This donation was restricted by the donor to be used to purchase books, furnishings, and equipment and not to be used for operating expenses.

Required Supplemental Information

Shiawassee District Library

Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended November 30, 2006

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Property tax revenue	\$ 664,450	\$ 665,150	\$ 666,364	\$ 1,214
Penal fines	97,200	101,200	116,168	14,968
State aid	23,100	20,750	20,761	11
Single business tax	10,975	10,975	10,985	10
Fines and fees	14,200	14,400	14,944	544
Rental revenue	6,250	6,250	6,591	341
Interest income	9,800	20,000	30,615	10,615
Donation income	4,700	2,700	2,693	(7)
Miscellaneous revenue	-	-	43	43
Total revenue	830,675	841,425	869,164	27,739
Expenditures				
Salaries and wages	429,200	421,000	411,810	9,190
Compensated absences	3,700	3,800	3,561	239
Payroll taxes	33,100	32,800	31,141	1,659
Employee benefits	84,050	61,200	59,420	1,780
Pension	1,100	1,100	938	162
Supplies	23,900	25,600	23,866	1,734
Professional services	30,725	34,750	31,360	3,390
Membership and dues	2,200	2,250	2,112	138
Education and training	6,300	6,750	6,641	109
Capital outlay - Equipment	5,375	24,450	23,828	622
Utilities	23,400	25,300	22,909	2,391
Maintenance and repairs	20,975	23,975	20,219	3,756
Library materials	118,550	116,550	109,936	6,614
Postage	9,800	8,200	7,924	276
State aid	23,100	20,750	20,510	240
Insurance	15,200	14,650	14,135	515
Total expenditures	830,675	823,125	790,310	32,815
Excess of Revenue Over Expenditures	-	18,300	78,854	60,554
Fund Balance - Beginning of year	639,062	639,062	639,062	-
Fund Balance - End of year	<u>\$ 639,062</u>	<u>\$ 657,362</u>	<u>\$ 717,916</u>	<u>\$ 60,554</u>



February 21, 2007

To the Board of Directors
Shiawassee District Library

We recently completed our audit of the financial statements of Shiawassee District Library (the "Library") for the year ended November 30, 2006. The following items are for your consideration.

Interest Income

During our review of your investments, we noticed that interest income was only being recorded when received. Although this method for recording interest is acceptable on an interim basis, an accrual needs to be recorded at year end for all interest that has been earned but not yet received. Recording an accrual would properly reflect the amount of interest income earned during the year.

Informational Items

Statement on Auditing Standards 103 - Audit Documentation - In December 2005, the American Institute of Certified Public Accountants (AICPA) Audit Standards Board issued a new Statement on Auditing Standards (SAS), which superseded SAS 96. The effective date is for audits of financial statements for periods ending on or after December 31, 2006 (fiscal year ending November 30, 2007 for the Library).

This standard clarifies and increases the requirements that auditors must follow in obtaining, managing, and retaining documentation that supports the audit opinion. It prescribes the form, content, and extent of audit documentation necessary to support the audit work. It also redefines the method used to determine the dating of the auditor's report and creates a "lock down" date for the audit file.

The substantive implication of this new standard is that it is likely that auditors will be more specific in their requests for information from the Library and will require the Library to be well prepared for audit prior to the start of the year-end fieldwork. This new standard also places strict limits on the posting of entries and work that can be performed subsequent to fieldwork. If entries are posted or substantial work is performed after fieldwork, the auditor will need to date the report as of a later date and will need to look at support for transactions between the original fieldwork end date and the new report date.

Statement on Auditing Standards 112 - Communication of Internal Control Related Matters Noted in an Audit - During May 2006, the American Institute of Certified Public Accountants (AICPA) Audit Standards Board issued a new Statement on Auditing Standards (SAS), which superseded SAS 60. The effective date is for audits of financial statements for periods ending on or after December 31, 2006 (fiscal year ending November 30, 2007 for the Library).

February 21, 2007

This standard establishes requirements and provides guidance to enhance the auditor's communication responsibility to the audit committee, if one exists, concerning significant deficiencies and material weaknesses in internal control noted in a financial statement audit. The standard defines internal control deficiency, significant deficiency (this term replaces and therefore eliminates the term "reportable condition"), and material weakness. Internal control deficiencies that constitute significant deficiencies and material weaknesses will be reported to the audit committee or the board in writing and will be made no later than 60 days following the release date of the auditor's report on the financial statements.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

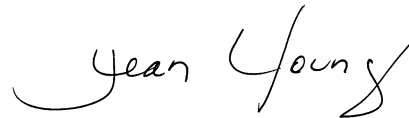
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The substantive implication of this new standard is that it is likely that auditors will be required to officially report on more internal control-related items than in the past. This is because the new audit standard lowers the threshold that is used to determine if a control deficiency must be officially reported.

It is a pleasure to serve Shiawassee District Library as its independent certified public accountants. We would like to thank you and your staff for the cooperation we received during our audit. We would be happy to discuss the above items with you and, if you desire, to assist you in their implementation.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in cursive script that reads "Jean Young".

Jean M. Young, CPA
Partner